

# HOUSE BUDGET COMMITTEE

## Democratic Caucus

The Honorable John M. Spratt Jr. ■ Ranking Democratic Member

214 O'Neill HOB ■ Washington, DC 20515 ■ 202-226-7200 ■ [www.house.gov/budget\\_democrats](http://www.house.gov/budget_democrats)

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### Broken Social Security and Medicare Lockboxes

Dear Democratic Colleague,

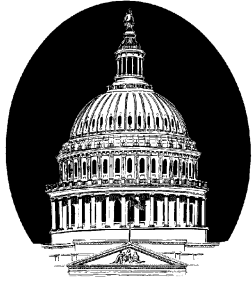
What a difference a year makes. Last week brought new and bleak budget forecasts from the Congressional Office (CBO), as well as statements from Administration officials about the President's Fiscal Year 2003 budget. Last month, the Administration admitted that they need legislation to raise the statutory debt ceiling to avoid a national default. All of this news confirms the concerns that Democrats have been raising for a year now: that Republican budget policies would set the nation on a course of deficit spending and raids on the Social Security Trust Fund surplus.

During last year's budget process, Republicans repeatedly rejected Democrats' calls for fiscal responsibility and prudence. As the attached document clearly demonstrates, Republicans assured the country in no uncertain terms that their budget would protect the Social Security and Medicare Trust Fund Surpluses and pay down a maximum amount of our national debt. Republicans further assured us that their budget left a significant margin for error, so that these goals would not be jeopardized even if the nation encountered an economic downturn or other emergency needs. They even promoted and passed a series of so-called "lockboxes" in support of their pledges to save 100 percent of the Social Security and Medicare surpluses.

Unfortunately, the juxtaposition of the attached quotes and the current budget situation demonstrates that Republican pledges about the budget have not been kept. Instead, the Republican budget has left us with broken lockboxes and mounting debt which will make it much harder to address the long-term fiscal challenges facing Social Security and Medicare.

Sincerely,

John M. Spratt, Jr.  
Ranking Democratic Member



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### REPUBLICAN CLAIMS ABOUT THE BUDGET

#### **Republicans Claimed that the Social Security Trust Fund Surplus Would Be Protected**

To make sure the retirement savings of America's seniors are not diverted into any other program, my budget protects all \$2.6 trillion of the Social Security surplus for Social Security and for Social Security alone.

President Bush, Address to Joint Session of Congress, February 27, 2001

Inherent in the budget, of course, is our desire to make sure we protect Social Security—I think there is unanimity on the table for that—that we set clear priorities, that we fund the priorities. In our budget, we're going to prove to the American people that we can pay down debt, fund priorities, protect Social Security, and there will be money left over, which we strongly believe ought to be passed back to the taxpayers.

President Bush, Remarks at Meeting with Members of House and Senate Budget Committees, February 15, 2001

None of the Social Security surplus will be used to fund other spending initiatives or tax relief.

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We are going to wall off Social Security trust funds and Medicare trust funds . . . And consequently, we pay down the public debt when we do that. So we are going to continue to do that. That's in the parameters of our budget and we are not going to dip into that at all.

House Speaker Dennis Hastert, quoted in BNA's *Daily Tax Report*, March 2, 2001

### **Republicans Claimed that Their Budget Left a Margin for Error**

We should also prepare for the unexpected, for the uncertainties of the future. We should approach our Nation's budget as any prudent family would, with a contingency fund for emergencies or additional spending needs . . . And so, my budget sets aside almost a trillion dollars over 10 years for additional needs.

President Bush, Address to Joint Session of Congress, February 27, 2001

Tax relief is central to my plan to encourage economic growth, and we can proceed with tax relief without fear of budget deficits, even if the economy softens. Projections for the surplus in my budget are cautious and conservative. They already assume an economic slowdown in the year 2001.

President Bush, Remarks at Western Michigan University, March 27, 2001

In sum, there is ample room in the Administration's budget to pay off debt as far as possible, to reduce taxes for American families to fund program priorities, and still leave roughly \$1.0 trillion for Medicare modernization and to meet other programmatic and contingency needs as they arise.

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There has been considerable public discussion of the potential downside risks to the surplus projections. However, the greatest "risk" to accurate forecasting in recent years has been on the upside as a result of stronger than expected revenue growth and weaker than expected outlay growth. Revenues have contributed most to surplus underestimates . . .

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### **Republicans Claimed that Their Budget Would Pay Down Maximum Debt**

We owe it to our children and grandchildren to act now, and I hope you will join me to pay down \$2 trillion in debt during the next 10 years. At the end of those 10 years, we will have paid down all the debt that is available to retire.

President Bush, Address to Joint Session of Congress, February 27, 2001

This new approach is also responsible: It will retire nearly \$1 trillion in debt over the next four years. This will be the largest debt reduction ever achieved by any nation at any time. It achieves the maximum amount of debt reduction possible without payment of wasteful premiums. It will reduce the indebtedness of the United States, relative to our national income, to the lowest level since early in the 20th Century and to the lowest level of any of the largest industrial economies.

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